

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Northern State Bank

Point of Contact:	Lewis Foulke	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	884	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	2,571,000	FDIC Certificate Number: (For Depository Institutions)	58054
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Closter
Date Repaid ¹ :	N/A	State:	New Jersey

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The CPP funds allowed the bank to grow its loan portfolio to a higher level than we otherwise would have been able to because the capital was treated as Tier 1 capital.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The CPP funds supported commercial real estate and 1 - 4 family residential loans which grew by 12.5% and 6.3% respectively during 2010.

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☐ Increase reserves for non-performing assets.

☐ Reduce borrowings.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The bank avoided having to shrink the size of the balance sheet or simply maintaining its outstanding loans. The bank also avoided borrowings from the FHLB which would have negatively impacted our overall liquidity position and capital ratios.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

As previously noted, the bank was able to grow its loan portfolio to levels that otherwise would not have been possible. This supported growth in all loan categories. Without the CPP funds the bank would have been forced to preserve its existing capital and curtail lending activities.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The CPP funds enabled management to grow the bank's balance sheet in a controlled way, thereby reducing operating losses and improving all performance metrics. This improvement enabled management to show new investors that the bank was moving in a positive direction and would become profitable with additional capital. As a result, the bank closed on a recapitalization on December 14, 2010 which injected over \$18 million in new equity capital from an investor group led by Mr. Abraham Opatut and C. Herbert Schneider.